

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 AGR-20 DRC-01 ( ISO ) W  
----- 040974

R 191510Z OCT 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8168

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY LUXEMBOURG

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

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E.O. 11652: GDS

TAGS: ETRD, EC, GW

SUBJECT: PROPOSED CAP FOR SOYBEANS

REF: STATE 194296; BONN 14131; BONN 14387; BONN  
14564

1. ECON/COMMERCIAL MIN REITERATED REF A REPRESENTATION  
ON THE PROPOSED CAP FOR SOYBEANS IN A CONVERSATION WITH  
ASSISTANT SECRETARY STEEG OF THE ECONOMICS MINISTRY  
ON OCTOBER 18.

2. ASSISTANT SECRETARY STEEG REPLIED THAT THE US  
DECISION TO IMPOSE EXPORT CONTROLS ON SOYBEANS HAD  
BEEN A TREMENDOUS SHOCK WITH THE FRG AND THE EEC  
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AS A WHOLE. SHE CHARACTERIZED THE STEP AS A BLOW TO

THE SPIRIT OF LIBERALIZATION IN AGRICULTURAL TRADE AS WELL AS A SET BACK TO THOSE WHO PREFERRED TO TAKE ACTION ON A MULTILATERAL RATHER THAN A UNILATERAL BASIS. STEEG SAID THAT THERE WAS A STRONG PSYCHOLOGICAL FEELING WITHIN THE EEC TO TAKE SOME ACTION TO PROTECT ITSELF AGAINST FUTURE CONTINGENCIES AND THAT THE PROPOSAL TO PLACE SOYBEANS INTO ALREADY EXISTING MARKET REGULATIONS ON OILS AND FATS WOULD RESPOND TO THE PSYCHOLOGICAL PRESSURE. MOREOVER, SUCH A STEP WOULD HAVE LITTLE EFFECT ON US TRADE AND WOULD INVOLVE ONLY SUBSIDIES AND NOT VARIABLE LEVIES. STEEG EMPHASIZED THAT THE FRG WAS AGAINST SUBSIDIES AND WOULD NOT PUSH FOR THEM WITHIN THE EEC BUT IF THE COMMISSION CAME FORWARD WITH A PROPOSAL FOR SUBSIDIES FOR SOYBEANS, THE FRG WOULD HAVE TO CONSIDER IT CAREFULLY.

3. DRAWING ON UNDERSECRETARY CASEY'S REPRESENTATION TO AMBASSADOR HERMES OF THE FONOFF, WE STRESSED THE PSYCHOLOGICAL DAMAGE THAT A SOYBEAN CAP WOULD HAVE IN THE US, REITERATING THAT IT WOULD NOT RESULT IN SIGNIFICANT PRODUCTION IN THE EC. INDEED IT COULD HAVE THE ADVERSE EFFECT OF INDUCING AMERICAN FARMERS TO PLANT CORN RATHER THAN SOYBEANS. MOREOVER, EC APPROVAL OF A SOYBEAN CAP COULD HAVE SERIOUS REPERCUSSIONS WITHIN THE CONGRESS AT JUST THE MOMENT THE TRADE BILL WAS BEING DEBATED. WE SAID WE HOPED THAT THE EC EXERCISE COULD SOMEHOW BE DIVERTED TO ACTIONS NOT INCLUDING PRODUCTION SUBSIDIES, SUCH AS RESEARCH PROJECTS.

4. DR. ABEL (DIRECTOR OF THE OFFICE OF TRADE POLICY) BROUGHT UP THE DISCUSSIONS WITHIN THE OECD AGRICULTURAL COMMITTEE AND SUGGESTED THAT IF FRUITFUL DISCUSSIONS ON THE ISSUE OF PROTEIN FOODSTUFFS COULD BE CARRIED OUT WITHIN THIS FORUM THEN THERE MIGHT BE LESS PRESSURE WITHIN THE EEC FOR TAKING A SPECIFIC MEASURE ON SOYBEANS. WE NOTED THAT THE WORLD FOOD CONFERENCE PROPOSED BY THE SECRETARY (STATE 206146) WOULD ALSO OFFER AN OPPORTUNITY FOR FRUITFUL DISCUSSIONS OF LIMITED OFFICIAL USE

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THIS ISSUE.

5. ASSISTANT SECRETARY STEEG URGED THAT THE US "BE CAREFUL" WITH ANY THREATS OF GATT RETALIATION, WHICH WOULD NOT BE HELPFUL TO THOSE MODERATE FORCES WITHIN THE EEC WHO DID NOT LOOK WITH FAVOR ON PROPOSALS FOR THE SUBSIDIZATION OF SOYBEAN PRODUCTION. THE US, IN ITS OWN INTERESTS, SHOULD NOT BE TOO EXPLICIT,

OR TOO RIGID, IN ITS POSITION AT THIS TIME, SHE  
STRESSED.  
HILLENBRAND

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